

104  
**THE ANNUAL REPORT OF THE TRADE  
PROMOTION COORDINATING COMMITTEE**

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Y 4. IN 8/16:T 67/8

The Annual Report of the Trade Prom...

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
INTERNATIONAL ECONOMIC POLICY AND TRADE  
COMMITTEE ON  
INTERNATIONAL RELATIONS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

SEPTEMBER 24, 1996

Printed for the use of the Committee on International Relations



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# THE ANNUAL REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE

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TUESDAY, SEPTEMBER 24, 1996

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY  
AND TRADE,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:01 p.m., in room 2200, Rayburn House Office Building, Hon. Toby Roth (chairman of the Subcommittee) presiding.

Mr. ROTH. We will have the Committee meeting come to order. Today we are delighted to have with us the Honorable Stu Eizenstat and we have some other of our Members on their way over, but we said we are going to start the meeting at two o'clock and when we say we start at two o'clock, why that is what we want to do.

Today the Subcommittee holds an oversight hearing on the annual report of the Trade Promotion Coordinating Committee (the TPCC).

This is the fourth annual report on the status of the U.S. exporting and what we must do as a nation to keep our exports growing.

Last year the United States exported some \$787 billion in goods and services. That is 11 percent of our total national economic output. Even more important exports have generated one third of our economic growth over the past 5 years.

Today 12,000,000 American workers owe their jobs to exports. That is the situation today, but as we move into the 21st century, the health of our economy and the prosperity of our people and our national economic security all will depend on how much and how we are able to sell to the rest of the world.

The battle for global markets will be just as important to the next generations of Americans as the cold war was to the last generation.

But the same is true of every major economic power. The key is to recognize the truth. Global trade is not free and fair. It is a battleground.

Foreign governments are assisting their companies, promoting their products and services, financing and insuring their exports and intervening with other governments to steer business to their companies.

In today's markets, ideology about free trade is irrelevant and pointless. What matters is that we keep American exporters and we teach them and help them to beat the competition.



That is why in 1992 this subcommittee wrote the TPCC into law. We charged the Trade Promotion Coordinating Committee with the job of devising and carrying out a national strategy to keep our economy and to keep our industries and our exports growing.

To present this year's report we have had a chance to look at it. I think it is very important for this year's report that we have Stu Eizenstat, our Under Secretary of Commerce for International Trade be with us to give us, in his words, why this is so important and allow us to ask a few questions.

But before we go to the Honorable Ambassador Eizenstat, let me ask Mr. Manzullo if he has any opening remarks.

Mr. MANZULLO. Thank you, Mr. Chairman.

First of all, I want to thank you, Toby, on behalf of the rest of the Members of the U.S. House of Representatives for the tremendous example that you have set by way of being a Congressman and the fact that you are retiring at the peak of your career, at the beginning of your middle ages and having said that, I simply want to thank you for the leadership that you have given to us.

This I believe will be the last Subcommittee hearing that you will chair and I want to again thank you for your leadership and wish you Godspeed and God bless in your new career outside of Congress.

Mr. ROTH. Thank you very much.

Mr. MANZULLO. You people can applaud for that.

Mr. ROTH. Thank you very much. Thank you. You know sometimes when the Members give you too much praise it almost feels like here is a shove, but anyhow it was great to have you in Appleton where we had some 1,000 people in Appleton, Wisconsin show up for our export conference and Mr. Manzullo was there.

Chairman Bereuter, do you have an opening statement?

Mr. BEREUTER. Thank you, Mr. Chairman. I arrived just in time to hear the last part of Mr. Manzullo's remarks and hearing enough to know I wanted to join in seconding his comments and commending you for the leadership you provided and for our service together here in Congress.

Mr. ROTH. Thank you.

Mr. BEREUTER. Especially I am going to miss you, since we came at the same time and have served on two committees together for most of that time.

I did want to comment a bit about the report before we turn to Secretary Eizenstat. Of course the annual report of the Trade Promotion Coordinating Committee is welcomed by our subcommittee.

I think it is especially important since many of our colleagues recently voted to curtail the overseas private investment corporation from committing more political risk insurance or finance guarantees for American companies and the American workers.

Absent from that important debate over OPIC were references to the export promotion activities of our competitors.

Members simply were not aware that Canada spends ten times more than the United States per \$1,000 of GNP than the United States on export promotion, for example and that is just one of many examples. If we would have turned to page 30 of this report, they could have learned of that fact.



Moreover, Members perhaps were unaware that Japan spent \$461 billion in financial assistance to exporters in 1994. That is compared to the U.S. expenditure of \$15 billion. People would have known if they had been able to turn to page 63 of the report about that fact.

No. The vote over OPIC was a vote against corporate welfare, to save the taxpayers a contingent liability that never yet materialized.

That is the way it was conveyed to the American public and it is a very inaccurate perception that has only been accentuated by what happened on the floor just recently.

Several years ago when this committee asked for these annual reports from the TPCC, we knew that the corporate welfare debate would be a problem. It is such an easy term to throw around so loosely and so inaccurately.

We were afraid of that allegation that our export programs were bureaucratic, unresponsive and unnecessarily duplicative so we ordered that an examination for export promotion programs be one of the strategic objectives of the annual report.

More specifically, in 1988 Congress mandated that TPCC, among other things, do the following: One, identify areas of overlap and duplication among Federal export promotion activities and propose means of eliminating them.

Two, review efforts by the States as defined in section 2301(i) to promote U.S. exports and propose means of developing cooperation between the State and Federal efforts, including co-locating cost sharing between Federal and State export promotion programs and sharing of market research data.

In its first annual report, the TPCC stated, "There is duplication of effort and a need for greater coordination of leveraging of resources among public and private service providers.

"Domestic export service network is deficient in two primary respects. One, domestic export services are not readily available to clients in one centralized place and two, trade finance assistance is not fully integrated with information, marketing and counselling services".

Therefore, the TPCC concluded that Federal export promotion efforts should "improve the coordination of export services among its agencies and better coordinate with State and local governments in the private sector".

In its second annual report, the TPCC identified steps it had taken to achieve some of those goals including the opening of four pilot sites for one-stop export assistance.

In its third annual report, the TPCC focused on meeting foreign competition and provided a valuable report on that subject.

However, the TPCC did not sufficiently follow up on its work of the previous 2 years and included a few very general recommendations at the end, to among other things, enhance the integration between Federal and non-Federal trade promotion by eliminating overlap with services in the private sector and the State and local government are willing to provide.

Unfortunately, Mr. Chairman, the fourth annual report which we have in our hands today seems to avoid the analysis that we had envisioned on this subject when we asked TPCC to do its work.

Because of this important oversight, I am pleased that the Chairman has agreed to add language to his legislation, language I offered, which should help to refocus the TPCC on one of its most important tasks and primary objectives, figuring out how to effectively promote U.S. exports in the most efficient manner.

I look forward to a serious approach on this subject in the TPCC's fifth annual report. Thank you, Mr. Chairman.

Mr. ROTH. Well, thank you, Mr. Bereuter.

To present this year's report and to respond to questions, we have Stuart Eizenstat, Under Secretary of Commerce for International Trade.

Ambassador Eizenstat, welcome back to the Subcommittee. It is good to have you with us today.

**STATEMENT OF STUART E. EIZENSTAT, UNDER SECRETARY FOR INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE**

Mr. EIZENSTAT. Thank you, Mr. Chairman. Congressman Manzullo took the words out of my mouth. I would like to, on behalf of my colleagues in the executive branch, thank you for the extraordinary work that you have done over the years for U.S. business and U.S. exporters in helping to eliminate foreign barriers to U.S. trade.

You have been a great source of strength to our TPCC process and I daresay without your leadership the whole TPCC structure might not exist today. So please let me join by thanking you and wishing you all the best as well.

Mr. ROTH. Thank you very much.

Mr. EIZENSTAT. This year's report is by, I think any fair comparison, the most far reaching and substantive that the TPCC has produced bringing together the efforts of some 20 government agencies into a truly comprehensive national export strategy and is really evidence of Congress' wisdom in establishing in 1992 a cross-cutting mechanism for all U.S. Government agencies to work together to promote U.S. exports.

It was a team effort and I would like to express my deep appreciation to the leadership and tremendous participation of Tino Kamarck of Eximbank, Phil Lader of SBA, Ruth Harkin of OPIC, Joe Grandmaison of TDA and my colleagues at Treasury and Agriculture and Transportation and many other agencies.

In regard to OPIC, I very much appreciate the remarks that were made by Congressman Bereuter, because I would like to strongly urge the Congress to pass a 1-year OPIC extension, on behalf of the TPCC we urge that, with flexibility to continue operating its programs as provided in your bill, Mr. Chairman, H.R. 4109 and the Foreign Operations Appropriations Conference.

OPIC plays a key role in our national export strategy. Its financing and insurance programs offer unique opportunities to American business and Congress must not let this program lapse.

Mr. Chairman and Members of the Committee, my written statement emphasizes the progress we have made over the past several years in many of the areas that Mr. Bereuter just mentioned.

Expanding our one-stop shopping centers for coordination now to 15 locations and by the end of the year to 19, developing a hub and

spoke relationship so that we now will have over 80 regional offices feeding into these 19, developing close State/Federal relations so that in many of the, as we call them, USEAC's that I have visited, we have State and indeed even local export agencies in our same location and Eximbank actually uses States as delegated institutions for much of their work.

But rather than focus on our past, including what we have done to reduce tide aid efforts, I would like to focus in my brief opening statement on what we have to do for the next phase, because we cannot take our progress for granted.

I would like to highlight two new initiatives and three emerging policy issues. The two initiatives are the efforts we are making to stop transnational bribery and a cutting aid effort to respond to the dire needs of small business and finance and then I would like to touch very briefly on three emerging issues, standards, technical assistance and offsets, which we believe are new barriers to U.S. exports.

First with respect to transnational bribery, last year's report recounted in some detail the fact that bribery and other forms of corruption have kept U.S. firms from winning contracts that might otherwise have been won, to the tune of billions of dollars.

Since transnational bribery is, by its nature, elicit and covert, it is impossible to determine its magnitude with any absolute precision.

However, since 1994 with the OECD's adoption of its first anti-bribery recommendations, we have learned of significant allegations of bribery by foreign firms in 139 international commercial contracts valued at \$64 billion.

We estimate that U.S. firms lost 36 of these contracts, valued at \$11 billion, although it is unclear if bribery was the ultimate decisive factor.

Since these figures represent only those cases which have come to our attention, we believe that the magnitude of the problem is much greater than those estimates suggest. In our report we mention that in some 80 percent of the cases bribery seems to have been successful in winning the contract, that is for both foreign and U.S. firms.

To address these problems, the Clinton Administration has worked together over the past year to develop a comprehensive government-wide response to reduce foreign corrupt practices.

This is important, because the playing field is not now level. Our companies are covered by the Foreign Corrupt Practices Act, but we are the only country which criminalizes foreign bribery and we believe that our companies are studiously complying with it, but that is not the case with our competitors, who are under no such compunction.

Our report lays out the key efforts we have made over the last year, both multilaterally and domestically. I would like to focus on those specifically.

Our multilateral strategy has had four prongs, the OECD, the OAS, International Financial Institutions and the WTO. We have had important successes over the last year in each of these areas.

In the May, 1996 OECD ministerial meeting we were successful in getting other countries to adopt a recommendation calling on all



member countries to deny the tax deductibility of bribes and that is, by the way, permitted in many of the countries of the OECD as a business expense and to agree in principle to the criminalization of bribery.

Over the next year we will work to ensure that the OECD members follow through on the tax changes and that we complete our agenda on criminalization of bribery by the 1997 OECD ministerial.

We also had an important breakthrough in Latin America with the adoption of the first anti-corruption treaty in the world, the OES convention on bribery and corruption.

We will be working this coming year to seek to have signatories ratify and implement this as soon as possible, because none have at this point actually been ratified.

The Administration plans to build on the recent success we have had in the World Bank, which has just adopted stringent anti-bribery procurement practices, by seeking to replicate this in other international financial institutions.

Our colleagues at the Treasury Department, who have been such a critically important part of the TPCC will work closely with the international financial institutions to assure strong anti-bribery requirements in their multi-billion dollar contracts. Jeff Shaffer, the Under Secretary there, is very, very helpful.

Finally we are seeking agreement at the WTO ministerial to begin negotiations on an interim government procurement agreement, which will focus on the principles of transparency and due process. Adopting these principles will help deter bribery, since illicit activity does not thrive in the light of day.

We also have a complementary domestic strategy, which we announce in this report. On the domestic front we are amending our advocacy guidelines to condition U.S. Government advocacy assistance on a commitment that any firm seeking support from us would have to ensure that its foreign parent or affiliate is not paying bribes to win that contract on which they are requesting advocacy, but also that they maintain and enforce a policy prohibiting the bribery of foreign officials.

I want to urge on you, Mr. Chairman and the Members of your committee, that this is the first time we will reach the foreign parent or foreign affiliate, a major step forward in leveling the playing field for U.S. companies.

We will also be amending the Eximbank's supplier's certificate to minimize any possibility of bribery and also amending OPIC's insurance application to strength its anti-bribery provisions.

We at Commerce will begin a new hot line for reporting possible instances of bribery of foreign officials by non-U.S. companies.

Obviously this is not going to be solved overnight. We are encouraged by the recent progress and the growing public support in many countries for our approach and it reflects the growing realization that transnational bribery sets back economic growth and undermines the democratic system.

A second major initiative in this year's TPCC report is on the small business front, where I would like to report to you some very exciting proposals particularly involving Eximbank and SBA.

We have had a series of small business seminars, Denver, Charleston, West Virginia. We will be having some in Ohio and in Kentucky in the next couple of weeks.

I have met with small business exporters and those who want to export and with bankers large and small and we clearly identified that one of the key barriers to small- and medium-sized companies exporting is the lack of access to export financing and to working capital export financing activity.

Now this is very critical. Our small- and medium-sized businesses contribute about 25 percent to our total manufacturing output, but only 12 percent to our exports and we believe a significant reason for that gap is the financing problem.

Some of our competitors provide a stronger export financing network for their small businesses, but for a variety of reasons, including lower profitability and higher costs for small transactions, U.S. banks have been less attracted to trade finance for small- and medium-sized new-to-export firms.

Indeed, only about 75 to 100 of over 9,000 banks in the United States do any substantial amount of export financing at all and most small businesses have no relationship to those 75 to 100 who in any event only want to deal with larger transactions.

To address these needs under the umbrella of the TPCC this year, Eximbank and SBA are developing exciting new programs to help these small- and medium-sized firms gain better access to critical trade financing.

For SBA, they are developing a new tool to assess international risks associated with export financing loans. SBA is going to refine its export working capital program to enable its lender some 7,000 largely community banks who do not have an in-house international financing expertise to expand their short-term credit available to a small business exporter in loans up to \$250,000.

It would use a new decisional guidance feature so that if banks answer yes on five to six key questions, they will have assurance that SBA will guarantee the working capital loan foreign export. Once a completed application is received by SBA, there will be a 3-day turnaround approval.

Second, Eximbank is developing a program modeled after the home mortgage market, which will address the availability of reasonably priced buyer financing.

This program will deal with loans up to a million dollars and it will encourage key domestic banks to institute a financing program that will essentially for the first time, Mr. Chairman and Members of the Committee, create a secondary market by bundling loans together of small community banks who can then sell those loans to large participating banks, the money market banks.

This will give the large banks a new market for their business. It will give the smaller banks the knowledge that they will be able to sell those loans. They will not have to keep them as assets on their books and we will assess these as packages rather than on a transaction-by-transaction basis.

The SBA plans to implement its program by early next year and Eximbank hopes that it will be able to further this proposal during fiscal 1997 on an experimental basis.

Both agencies will consult closely with Congress, the banking community and related U.S. Government agencies to refine these proposals before they are actually implemented.

Even with these improvements in our activities on anti-bribery and small business, this year's report, Mr. Chairman, is also important because it reflects our view that a truly effective national export strategy has to include a strategically focused commercial plan going on beyond the mere coordination of programs. It must take a hard look at our current commercial policies and address new areas where we have come up short.

Let me just very briefly mention those three new areas and I know one, Mr. Chairman, is one that with your recent trip you have been particularly concerned about.

These three new areas where we believe efforts are needed are the exclusionary use of standards, technical assistance efforts and offsets in defense trade. Let me very briefly just mention each.

With respect to product standards, I learned when I was ambassador to the European Union that the European Union, and we also see it happening with Japan, are achieving advantages in market access by in effect using the adoption of their own product standards to give themselves an inside track.

Most U.S. firms do not have in-house resources necessary to perform the necessary tests nor can they usually afford the high cost of submitting their products for compliance assessment by differing standards and regulatory bodies.

Now, we are working on mutual recognition agreements and developing a long-term program focusing on the harmonization of international standards, but frankly we need to do much more and I want to highlight this as an area where a lot of work is necessary.

Second is technical assistance. More so than any of us have recognized this is a powerful commercial tool which our foreign competitors are using to smooth the way for their firms to get in on the ground floor of billion-dollar projects and emerging market.

It involves things like sending technical advisors in, helping with the writing of standards, bid preparation and technical training. In short, up front work that often leads to big follow-up contracts. Technical assistance also includes things like development assistance.

Now our Trade and Development Agency (TDA) does this, but it is woefully out-spent. We need to be more aggressive in this area, focusing our development assistance programs on creating and strengthening emerging market economies and using technical assistance in the same smart way.

Last is offsets. Offsets in the defense area are compensatory packages required by foreign governments as a condition of getting the contract for a U.S. company. They include things like mandatory co-production, subcontractor production or technology transfer.

At issue is whether the requirements of offsets by foreign governments may be reducing employment, industrial trade benefits and hurting U.S. competitiveness. We do know, however, that in some cases offsets actually may give U.S. firms a competitive edge.

What we are going to do is launch a process in defense offsets that will lead us for the first time to negotiations with our trading



partner to limit these practices. We will consult with industry, with our trading partners, with Congress and we will review and modify our own policies to develop a balanced approach to this difficult problem.

Let me conclude by saying that the United States, as you suggested in your opening statement, Mr. Chairman, is an exporting powerhouse with exports surging from \$618 billion in 1992 to just under \$800 billion last year.

Over the last 3 years more than a million and a half jobs were supported as a direct result of increased exports. As you yourself said, almost a third of our economic growth has been attributed to export since 1993.

Last year we had an important turning point in which export growth finally exceeded import growth. Nothing less than our standard of living is at stake. That is why a strategic national export strategy is so important.

I have spent more time in the almost 6 months that I have been on this job in developing this report than on any other area and it is because Secretary Kantor and I and our colleagues in all the agencies believe that exports are absolutely critical to development of good paying jobs and long-term competitiveness.

This year's report clearly sets the stage to ensure that our exporters can and will fulfill their potential abroad and will continue to create good jobs here at home.

Thank you, Mr. Chairman and Members of the Committee and I look forward to taking your questions, comments and suggestions.

Mr. ROTH. Well thank you very much, Ambassador Eizenstat, for that excellent report. I know you spent a lot of time on it and we want you to know we appreciate it.

I want to make sure that this report is in the hands of all the Congressmen so I intend to distribute it to the other Members of Congress.

You brought up an issue that is a very important one that we are struggling with right now and that is this issue of OPIC. Is it not true basically that all of our competitors have similar assistance for their exporters and in many cases much more than we do?

Mr. EIZENSTAT. Absolutely. Not only that, Mr. Chairman, but OPIC actually makes money for the U.S. Government and adds to the positive figure on the positive side of our deficit.

So it is not only doing what other agencies are doing even more of, but it is doing so in a very efficient way and in a way that is adding to the profit line of our government.

Mr. ROTH. Well, very true. It is hard to get that message across, because everything seems to be emotionally charged, but the truth is we have about \$2½ billion in the Treasury because of OPIC and OPIC has not cost the American taxpayer one red cent and I think that is the message we have to get across.

Mr. EIZENSTAT. Well, the 180 employees last year earned \$189 million and their reserves, as you indicate, total over \$2.5 billion.

Mr. ROTH. Ambassador, what would be the fallout for our competitive position if Congress does not extend OPIC?

Mr. EIZENSTAT. It would be severe. OPIC would be able to limp along on current insurance projects, but right now they will be bumping against their statutory limit of \$13.5 billion in insurance,



and would have difficulty issuing new insurance programs and it would really affect adversely our ability to compete.

Congressman Bereuter and yourself have both referred to this. It is an extraordinarily competitive world out there and in every other major competitor, their government is doing sometimes three to ten times more to help their private sector.

This is not corporate welfare at all. It is helping U.S. firms have a level playing field and it is creating jobs in the export sector, which are high paying jobs.

It would be unilateral disarmament of the first order if we abandoned OPIC or any of our trade financing programs at a time when they are being increased by our foreign competitors. They would laugh behind our back.

Mr. ROTH. Well, thank you very much. I think it is very important that we get this message across and we are going to do our level best to try to, as you requested, extend it for a year and I just hope that we are going to be able to talk sense to the people so that we can accomplish that goal.

You described the process in setting up the export assistance centers, the so-called one-stop shops. This has been a priority for our subcommittee. You have some 80 centers now, but I think more are needed.

I would like to suggest that we consider, because this is so important, contracting with outside experts to extend this network. I was wondering if our staffs could discuss this idea and see if that were feasible.

Mr. EIZENSTAT. I would be glad to discuss anything that would strengthen the system. We, as I mentioned now, have 15. We will be opening four more by the end of the year. That will largely complete the network as it is together with about 80 regional centers.

Anything we can do to strengthen this we will certainly look at. We will be more than happy to talk to your staff about it.

Mr. ROTH. You know Mr. Manzullo accompanied me to Appleton, Wisconsin up in the Fox River Valley area to our export conference. We have had 12 now, 12 annual export conferences and the last one we had over 1,000 people attend.

So there was a tremendous interest in exports and the No. 1 issue that they always bring up is where can I go to get assistance. How do I get overseas. They have all kinds of questions, in other words, and I think they are looking for somewhat of a security blanket when they do this.

I think that these centers give them the answers to their questions. So they are encouraged and have the incentive to move ahead.

Mr. ROTH. There are two barriers that small businesses face. One that I have mentioned in some detail is the financing area, but you referred to a second one and that is just the absence of information. What I would frankly call the fear factor in exporting.

This means how do I translate foreign regulations? How do I find a partner abroad who will take my product? How do I deal with transportation? How do I work my way through a whole series of complex foreign regulations?

These are issues that small businesses generally have difficulty doing, because they do not have the in-house staff. That is what

USEAC's are there to do. We counselled 41,000 small businesses last year, but we need to do much more.

Mr. ROTH. I know that your staff and I know that our staff is here and is very sensitive to this and have a good deal of knowledge on this issue. Are conversant with it. So let's see if they cannot find something that is feasible in something that will add to this initiative.

Before I turn to my colleagues for questions on the Committee here, I would like to ask you on page 30 of your report I was interested in that chart because it shows the United States spending dramatically less on export promotion than our G-7 partners. Is that possible? How can you explain—

Mr. EIZENSTAT. It is not only possible, it is a reality. These charts update similar ones and they show that in start terms the United States, in terms of GDP, continues to be out-spent and out-gunned and out-staffed by our major trading partners.

For example, in terms of staff alone, which you will see on page 31, the U.S. Commercial Service in some cases is out-manned by ten to one.

On page 63, Congressman Bereuter referred to this, Japan spends \$161 billion on export credits, tied and untied aid. The United States spends \$15 billion. France, which is a country that is a third of our size, spends \$46 billion.

As expenditures on a GDP basis, as you referred to on page 30, we are at the very, very bottom of the rung of industrial countries.

So this is a very serious problem and I would mention not only that, but our overall spending for U.S. trade promotion is below what it was internally in fiscal 1993 and it means that the TPCC and our national export strategy are even more important to ensure that we are using our trade promotion and financing programs in the most efficient and targeted way to benefit U.S. firms.

In effect, we have to do better with less, but Lord knows we are at a competitive disadvantage.

Mr. BEREUTER. Would the Chairman yield?

Mr. ROTH. I was going to say when we talk about export promotion, we are really talking about investment. I think many of the people in Congress do not understand that this money is really an investment they are making, not only in today's generation but in tomorrow's generation and that is a message that I think that we have to get across.

I am really delighted that you had these graphs and charts in this report, because I think it drives home the point that we have to make to the entire Congress.

Mr. EIZENSTAT. In terms of an investment, OMB estimates that just the agency's reporting and not all of them have been able to accumulate figures, indicate that they have supported some \$68 billion in exports last year through their own activities, when we are spending a fraction of that on actual budget outlays.

Mr. ROTH. Mr. Bereuter.

Mr. BEREUTER. Thank you for yielding, Mr. Chairman.

I just wondered in light of what just has been discussed here between you and the Secretary, I wonder if the Chairman is aware that one of the leaders on the floor against your jobs export bill came to me in the course of debate and said if the United States

would stop providing export assistance and export credit, obviously the other countries would too.

Mr. ROTH. Well, that guy is not in the real world.

Mr. BEREUTER. So I presented him apparently for the first time ever a chart which showed him that Japan Export-Import Bank expenditures versus our own and of course our own are dwarfed by Japan Export-Import Bank and he seemed to regard it as unbelievable.

Mr. EIZENSTAT. I would mention, Chairman Bereuter, that we have and we continue to try to reduce on a multilateral basis export subsidies. We do so through the Uruguay round, particularly in the agricultural area which Secretary Schroder is certainly very familiar with.

We continue to do it. It has been done in the Bush Administration on aircraft. So, this is a bipartisan area, but it has to be done multilaterally. To do it unilaterally again would amount to unilateral disarmament.

Mr. BEREUTER. Would the Chairman yield one more time?

I certainly agree with you. It must be done that way. To do it unilaterally is simply unilateral disarmament in an export sense.

Thank you for yielding.

Mr. ROTH. Thank you, Mr. Bereuter.

We are going to call the Members in order of their arrival. So we are going to go to Mr. Manzullo for his questions.

Mr. MANZULLO. Thank you.

I could not pass up the opportunity for such an incredible segue on talking about exports than to see if the Department of Commerce is going to get on the bandwagon and help Eximbank to come to the realization that we are losing billions of dollars in trade opportunities with the Chinese and the Three Gorge's project.

I think I have been on this Three Gorge's statement for months now. Sometimes voices are crying in the wilderness as more and more opportunities to sell to a magnificent project are lost.

Mr. Ambassador, I would like to know your personal, non-political opinion on this thing and if the Clinton Administration is really going to stop talking trade and get on with allowing Caterpillar, for example and Herzog Engineering to sell their products and services to the Chinese.

Mr. EIZENSTAT. Congressman, this issue came up before. I assume my current position and the Commerce Department made known loud and clear during Ron Brown's tenure its view on this issue.

The NSC made a judgment on behalf of the Administration that because of the environmental concerns involved that there was no preclusion of the United States being involved, but that U.S. financing could not be made available.

That is a decision which we have to respect because of the institution that came to that judgment balancing all the factors involved.

I know that you feel very strongly about it. You and I discussed this personally and during my testimony on MFN extension some months ago for China you eloquently laid out your concerns about it. I very deeply respect those, but again we are duty-bound to respect the NSC's judgment of balancing all the factors.



Mr. MANZULLO. You know with all due respect, Mr. Ambassador, I cannot accept that answer as representing the best interest of this country.

I have here the National Security Council report. I do not even know if this thing is public. It is the first time I have seen it.

We have gone round and round on this thing, not you in particular, but nobody seems to want to step up to the plate and say, let's take responsibility for it and here we have for official use only.

It goes through the different agency cabinets, it says State, quiet to opposition, Treasury, quiet to opposition, Justice, quiet to opposition, Interior, Energy, EPA, Eximbank, Commerce, quiet to opposition.

I mean all the agencies that supposedly did this great study on Three Gorge's say quiet to opposition. Quiet opposition to whom? I mean we have talked to people in and out of the Administration.

I have talked to Mr. Kamarck on several occasions including in my office and what we have going on there in the Three Gorge's project is that there is now another massive flood that has taken place on the Yangtze River.

It has displaced hundreds of thousands of people. Several have been killed. On one hand the Administration says we are going to send you the humanitarian aid, but that project is going to be built with or without the help of the United States. It is underway.

The Chinese have extended the opportunity to bid to several different consortiums, none of which includes the United States.

I represent Rockford, Illinois that has 1,600 to 1,800 manufacturing facilities. It is the most exporting congressional district in the United States.

One third to one half of all Illinois exports come out of that congressional district which runs from the Mississippi River all the way over next to the county that touches Lake Michigan.

I scratch my head in awe, because we know what is going on with this Eximbank. We know that there are people who say that they are involved in the environment and want to protect the environment and have come up with all different types of reasons why this should not be done.

The problem is this. I would much rather have American technology and American manufacturing and American machinery involved in that project than to say well, it is not environmentally sound or we are not going to get involved with it.

What bothers me more than anything is the horrible precedent of politicizing Eximbank that has cast a shadow over our entire export financing program and I am fed up with it.

Not you, but I am fed up with the Administration that tells the American people that exports are the way to go in the future, that we need jobs and it turns right around and politicizes the entire process.

It does not make sense. I have examined the documents. I have talked to the people. I know their backgrounds and we can go through item-by-item, wildlife-by-wildlife and look at this thing and say it has been politicized.

Maybe that is why John Casey got upset with the whole thing with OPIC and he lumped them all together and said, this is "massive corporate welfare" and we do not need it.

I can assure you of one thing. That if we want to get OPIC through, if we want to get TDA, for example, involved in China, then the Administration and Eximbank have to square with Congress and with the American people that they are de-politicizing the Eximbank.

Mr. EIZENSTAT. I again appreciate very much your strongly held views on this. I would say to you that during my 2½ years in Brussels there was no company I worked more closely with than Caterpillar and Bill Bett and his colleagues there.

I know their feelings on it and yours and again, I can only say that this is a judgment that was made by the NSC. I will certainly relay your very strongly held views about it and I understand your frustration.

Mr. MANZULLO. Let me end with this. I want to commend the Department of Commerce for choosing Rockford to expand its facility.

I can tell you firsthand that we have numerous small businesses, little bitty guys, that have gone to the local office of the Department of Commerce there, in effect we were instrumental in getting Bryant College to install a sophisticated software at the SPDC at Rock Valley College and firsthand information is that the little guys are now getting involved in exports, because it has been brought down to very, very common English.

The Department of Commerce in Rockford has been absolutely outstanding in the support work, the information that it has given to our exporters there.

Mr. ROTH. Rockford, Illinois got all that?

Mr. EIZENSTAT. Appleton is not up there.

Mr. ROTH. We have in De Pere, Wisconsin, St. Norberts College, Mr. Ambassador, an export center that cost \$3.2 million, done mostly with private funds and we have all those exports on the Great Lakes.

I did not realize that Rockford was that blessed. I want you to give a little more attention to the Great Lakes, because this is really where the exports come from.

Mr. EIZENSTAT. Mr. Chairman, if you had stayed around another term undoubtedly we might have——

Mr. ROTH. Mr. Bereuter.

Mr. BEREUTER. Mr. Secretary, the voters willing I will be here next year. So the great plains will be heard from.

Mr. Secretary, thank you very much for your statement. I focus first on your comments about our efforts to spread the anti-bribery kind of legislation through the OECD and I think that is an exceptionally important effort.

I had picked up rumors just lately and I wonder if you could check them out or tell me the answer to it. I had heard that the German legislation that we have heard a bit about, which would have outlawed tax deductibility of bribes, may apply only when the bribe is delivered in Germany and if that is the case, it would be a giant loophole. I am wondering if you could confirm that rumor now or could you examine it?

Mr. EIZENSTAT. I was actually in Germany about 2 weeks ago and I met with Minister Rexrod. We will check on this.

Mr. BEREUTER. All right.

Mr. EIZENSTAT. The OECD recommendation does talk about ending tax deductibility and considering the criminalization, but it obviously would be a major loophole, as you indicate, if the only way in which that were covered is if the bribe were actually extended in Germany rather than outside and we will monitor that very closely. I will give you a report very shortly.

Mr. BEREUTER. Thank you very much. As you may remember, in February typically you would get a visit from the House and Senate Members of the North Atlantic Assembly (NAA) and we would want to hear from you as our ambassador to the European union.

Just before that we would meet each year with the OECD and the North Atlantic Assembly's members would be there. Now, as you prepare for the 1997 OECD ministerial I suppose again in May, we would like very much to have your assistance in helping to make a presentation to the NAA members who will be there who constitute the majority of the OECD members.

If we could have your assistance on making a presentation to them about the importance of extending these anti-bribery provisions, I think that would be very helpful and mutually beneficial.

Mr. EIZENSTAT. I would be more than happy to do that, Mr. Chairman, and I hope by that time what we will be able to do is to give a progress report on the degree to which the 26 member countries of the OECD have actually begun to implement the recommendations in the May, 1996 ministerial.

Mr. BEREUTER. Thank you. I will be in contact with someone you designate. Your comments on pages 12 and 13 related to technical assistance and the value of up-front work has been demonstrated over and over again, to our regret I think, mostly by our west European competitors.

I think the emphasis that you suggest that you would like to bring to that area is very important. My idea offhand is that it might be valuable to actually have a legislative product come through the House and the Congress.

I volunteer to work with Democrats of your choice to try to make it bipartisan. I think when we depend upon omnibus legislation it gets hindered by so many efforts, but we might be able to move legislation rather directly just addressing these problems.

Mr. EIZENSTAT. Well, we would be more than happy to work with you and I might add that there is a direct tie in between the technical assistance barrier and the standards barrier, because what foreign countries do is they will retain technical advisors, often government employees.

They will send them, for example, to southeast Asia to train their colleagues and counterparts in those countries on how to develop standards; not coincidentally the standards that they help them to adopt are their own standards.

It is in this way that technical assistance is used to facilitate the development of, for example, European or Japanese standards to the disadvantage of our companies. So we would be more than happy to work with you, Mr. Chairman.

Mr. BEREUTER. Thank you, Mr. Secretary. Mr. Secretary, I feel that the need to expand our export base is of continuing importance—that we should not allow partisan considerations to be inhibiting factor.



I need to bring up a subject that is unpleasant, but fortunately you were not around in the capacity in which you now serve so you do not bear any responsibility for the difficulties or the problems that were created.

So I think you are in a good position to make corrections or advise the political operatives to make corrections.

It was brought to my attention first by a constituent that read articles in a newspaper in the Chicago area or perhaps in a national business magazine.

Those allegations were that some of the U.S. commercial trade missions in the past have included an implicit quid pro quo and campaign contributions from CEO's that were involved in those activities.

As I said, because I believe we need to be completely above board on how we put together those commercial missions, I think we need to examine those allegations and stop the practices if they are in place.

I will refer specifically to a couple of examples and I will give you copies of it. I have a memorandum to Sally Painter of Commerce from Rita J. Lewis in the White House recommending that a particular individual be considered for trade mission and noting that he was among other things "an early Clinton campaign supporter and DNC managing trustee". That was sent on August 16, 1994.

Then I have a memorandum published by the Democratic National Committee, actually part of a brochure, asserting that people who gave it \$100,000, thus becoming DNC managing trustees, would be invited to go on trade missions.

Now it does not say those trade missions are U.S. Government trade missions, but I am unaware of the DNC having trade missions. So, it looks to me like it is an inappropriate kind of situation and evidence of abuse.

So I will provide you with a copy of that page from that brochure as well and ask that you examine them, since I think your department that you now head was the recipient of directions from the White House or from political operatives acting for the White House. I will present those to you.

Mr. EIZENSTAT. I appreciate that. When I first assumed office in April, I had heard of those allegations. As best I know, on all the trade missions that Ron Brown led they were strictly done on a bipartisan basis.

Nevertheless, because of the concerns we have been especially strict in the trade missions that have been led over the Mickey Kantor period, the one that he led personally to Bosnia and Croatia.

We really bent over backwards to make sure that there were no political considerations involved. I believe again that that was the practice beforehand, but to alleviate any concerns we have certainly done so and I believe that we cannot have a bipartisan support for a bipartisan trade policy unless every aspect of that policy including trade missions is done on a bipartisan basis and you certainly have my assurance that we will do everything humanly possible to assure that that is the case.

Mr. BEREUTER. Thank you very much and knowing of you and your record, I take that with that statement as evidence that you



will go forward. I have every confidence that that is a practice that will not continue as far as you are concerned.

Trade missions can be bipartisan, but still there can be a quid pro quo involved and it appears that there was in this instance or in the instances.

Mr. EIZENSTAT. I have to say that I know of no instance in which that was done in the past, but we want to make sure that there is not even a whiff of impropriety in the future and will do everything possible to assure that.

Mr. BEREUTER. I understand your position. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. ROTH. Thank you.

Now we are going to call on Chairperson Meyers for questions she may have.

Mrs. MEYERS. Thank you, Mr. Chairman.

I notice in your report, Mr. Ambassador, that the report is critical of lowering the maximum guarantee from 90 percent to 80 percent under \$100,000 and 75 percent over \$100,000 in SBA export loans.

It was necessary because of the cost of the agency and other considerations that we lower all 7-A loans to 80 and 75 percent guarantee.

If a bank operating as the eyes and ears of the SBA cannot see its way clear to make a loan with an 80-percent guarantee, it probably will not even with a 90-percent guarantee.

The numbers and the size of the loans seem to bear this out. In other words, the numbers did not drop after the change was made.

Now maybe that was due to something else. Maybe it was the economy. Maybe it was another reason, but the numbers did not seem to change. The demand did not seem to change.

I think it is important that we asked everybody to accept a share of the risk. If the American taxpayer is willing to accept 80 percent of the risk, then we maybe should ask the bank who is making the profit from that loan to accept at least 20 percent of the risk.

Now, if the numbers had changed dramatically after the change was made, I would have taken another look at it, because I think exporting is tremendously important and I think our increases in exports are probably going to have to be made through small business.

I mean big businesses for the most part are already exporting. It is small businesses that we really have to encourage.

I would like to ask you to elaborate a little more on something you said about the SBA and the other agencies assisting with risk assessment, because I think that is the thing that keeps small businesses out of exporting.

Mr. EIZENSTAT. Thank you very much. Let me respond in a couple of ways. First, I have met with bankers in places as diverse as Denver and Charleston on this very issue and not, I might add, money center banks only, but mostly community banks.

The differential between the Eximbank 90-percent guarantee and the SBA 75-percent guarantee has had a couple of negative effects.

First of all, it has made it much more difficult for us to harmonize the two programs. One of the things that Congress did urge

us to do is to develop a harmonized program so that we did not have an overlap.

When you have a differential of that magnitude and the bankers have told me this, it has driven them and their customers more toward the Eximbank side where they can get a 90-percent guarantee, rather than to SBA, which is only logical.

Second, in terms of the taxpayer's risk, in the working capital export program that SBA has, they have made around 350 to 375 loans so far. Only six have defaulted so that it is a very good default rate.

Third, you make a very important point about the fact that the loan activity did not seem to fall precipitously. We have inquired about this and we would expect that indeed that would be the case if it were continued.

The figures that you are citing are for basically the first year, not even a full year of activity and from what the bankers are telling us and what SBA and Eximbank are telling us, we would see a very significant drop afterwards.

So in terms of the importance of keeping these programs harmonized, what we are hoping to do, Madame Chairman, is literally develop and we are not quite there yet, I was hoping frankly I could report that to you in this year's report, but we are not quite there.

We have made a lot of progress on harmonization. What the bankers and small businesses have literally begged us to do is develop one piece of paper. One form that could be used for both agencies. That cannot be done if we have differential loan guarantee amounts.

Mrs. MEYERS. I personally think that we will run into less of a problem with people accusing us of granting corporate welfare et cetera if Eximbank would come to 75, 80, instead of our going to 90. Instead of the SBA going to 90.

But then I would just like to continue, as I say, looking at the figures, because exporting is tremendously important. I do think that we are going to continue to have problems with the accusation that we are granting corporate welfare and in order to avoid that, I think it is possible that maybe we ought to lower our sights somewhat.

Mr. EIZENSTAT. Well, if I may just respond to that. I understand the pressures that you and other Members are under on that respect and that we are as well, but I really would feel very strongly that the two new programs that we have mentioned to increase access and financing to small business exporters will not work at a 75-percent guarantee. They simply will not.

We have been told time and again that as it is there are pitifully few banks that are willing to do any export financing.

If they have to pick up 25 percent of the risk they are just going to say forget it, it is not worth the paperwork and assessment of risk we have to do.

They have to make several assessments of risk of the actual U.S. exporter or the small business, the foreign business and the foreign importer and often the foreign bank.

Those are additional responsibilities that banks have that they do not have when they are doing just a regular domestic loan

where the only real concern they have is the viability of the customer they have themselves.

So to compensate for that, it is necessary to have special incentives and this pays off time and time again. These guarantees are rarely called on, because the defaults are so small. But the point—

Mrs. MEYERS. Well now Ambassador Eizenstat, the subsidy rate on all 7-A loans went from 1 to 2.7 percent between October, 1995 and February, 1996.

They went from 1 to 2.7 percent and the reason that happened is because SBA did an in-depth study of their default rate over the past 5 years, not just a snapshot, but a really in-depth study.

We tried to get SBA to tell us where were these defaults. Were they particularly in one kind of loan, one part of the country, what?

Define for us where this dramatic change took place which meant that instead of appropriating \$100 million we suddenly had to appropriate \$300 million, if we were going to keep the same level of programs that we had before.

We did not get a response from them. They do not seem to be able to point that out; therefore in this year's authorization we have called for a study and for some really definitive numbers on where the loss is.

I really want to make export loans. It is that I want to make them being very realistic about what the risk is and about how much we are asking the American taxpayer to absorb, how much we are asking the lending institution to absorb. I guess that rapid an increase in that short a period of time made me very concerned.

Mr. EIZENSTAT. Well, I appreciate your comments. I will work with SBA to try to look at that to see if we can find you an analysis.

I would mention that I think the point that I made about the importance of giving banks the incentive to get into both working capital export financing and direct export financing is reinforced by the fact that both the House and Senate have voted to restore the 90-percent guarantee, which we very much appreciate. I will look into the default rate with SBA and try to give you a report.

Mrs. MEYERS. I know that did come out of my committee. It came out with support. I have the same concern, Mr. Ambassador, that I have always had about that high a guarantee rate, but then I am also retiring and so you are not going to have to worry about me nagging at you any more about that.

Mr. EIZENSTAT. But the point that you raise is important and we should look into it.

Mrs. MEYERS. Did you say that you were beginning a special program on helping businesses to assess risk?

Mr. EIZENSTAT. Yes. What will make this new small business program particularly effective is that special risk assessment will be done both for Eximbank for their new program and for SBA.

There will be a crucial element to make this work and that is that it may involve the private sector being asked to help with this to do a risk assessment on a bulk basis of what these financing loans actually look like.



What has been done before is that risks have been made on a transaction-by-transaction basis and that has made it impossible for smaller banks to get involved.

What we want to do is take a whole bulk of loans and then look at those loans on a country-by-country basis. This will have to be done.

This is why we call it a pilot project, for example, in Eximbank where they will take particular banks, particular countries, perhaps two or three and see on a bulk basis what is the loss ratio and then on the basis of that people will be able to know what fees to charge, what kind of a discount, but the exciting part of this is that for an actual community bank, the community banks will not have a foreign risk. That will be in the big money center bank.

They will not have to keep this as a trade receivable on their books. They will be able to immediately sell their paper to these large banks and get the cash flow as a result of it and that is the big innovation.

But that again will depend on a very good risk analysis and Eximbank knows and SBA knows that they were not there yet. They are going to have to do a lot of work to build that data base to carry that risk assessment out.

Mrs. MEYERS. Could I ask one more short question, Mr. Chairman?

Mr. ROTH. Please do. Your time has expired, but please go ahead.

Mrs. MEYERS. Just very quickly I would like to know your opinion as to why there was rather a dramatic change in our trade deficit in the figures just most recently reported.

Mr. EIZENSTAT. Yes. Thank you. This last figure did come as a result of a decline in volatile categories in exports like civilian aircraft and non-monetary gold and we expect a rebound for August in those areas.

There is a second reason why the trade deficit appears to be a continuing problem and that is in a sense a plus almost rather than a minus and that is that our major trading partners, Japan, Canada, Mexico and Europe, which make the bulk of our exports, each have their own economic problems.

They have either zero growth or very low growth and our growth on the other hand is much stronger. So that large growth on the part of the United States is sucking in their exports and at the same time their slower economies, much more sluggish economies are not taking ours on.

So that is an additional factor and it really is a factor of the resilience and the strength of our economy relative to theirs.

At the same time over the past 3 years there has been a 36-percent increase in exports and last year that was a 12-percent increase in our exports and our trade deficit is still going to be less than last year's, but again it is a troubling figure and I think this particular figure that came out is mostly the result of these volatile export sectors, which we expect such as the aircraft area to increase over the next couple of months.

Mrs. MEYERS. Thank you, Mr. Chairman.

Mr. ROTH. Thank you, Chairperson Meyers, for your excellent work on this committee. You are one of the people that always shows up for the hearings. I want you to know I appreciate it and

that is why I think you are one of the best informed Members on the House floor also. I appreciate it.

Ambassador Eizenstat, you know you talked about the trade deficit. I think something has to be said here too. You know the largest industry in America today is travel and tourism. The largest industry in the world is travel and tourism.

One out of every ten people in the world works in the area of travel and tourism and our travel people coming from overseas to this country spent some \$70 billion last year.

The U.S. Congress did away with USTTA (the U.S. Travel and Tourist Agency), which was one of the best investments we had in the government.

What are we going to do to change that? You know we used to have 18 percent of the world's trade in travel and tourism. We are down to 13 percent now in an increasing market.

In March our trade deficit was down by 18 percent. Why? Because, as your department, the Commerce Department, told us, because of foreign travelers visiting the United States. What are we going to do to change that? This is very important.

Mr. EISENSTAT. It is important and it is unfortunate that people think when they hear tourism of people simply taking vacations without realizing that it is one of the largest service surpluses that we have.

I think that Congress was ill-advised, as you indicate, to have ended the life of our agency. We have absorbed in my area and in ITA 13 of the employees. That is a third, less than a third of the number of people who were in the agency itself.

We are giving very, very prime consideration to how to use those 13. I have worked with Leslie Doggett, who was our Deputy Assistant Secretary in charge of tourism. I have met with our tourist industry.

We are going with this little band that we have left to do as much as we can. At the same time it goes to the heart of the issue, which Congressman Bereuter and yourself have made and that is the extent to which we continue to be out-gunned and out-manned.

Here is what was a small, very cost-effective agency and yet in order to have a trophy on the wall, this agency was ended.

There is a bill in the Congress which we largely support that yourself and others have co-sponsored to try to strengthen the whole tourism industry. We are working with you on this legislation to create a private sector group which will replace the USTTA.

I have again worked personally with a number of the leaders of that private sector. We support your efforts and although there are few concerns with a few elements of the bill, by and large we think that your legislation is exactly what the doctor ordered and we are going to work with you and your staff to see if we cannot get that enacted.

Mr. ROTH. Mr. Secretary, I appreciate that, but you know time is running out. We just have a few days left. That bill that you mentioned is an extremely important bill.

I had some 40 CEO's over to see Gingrich, over to see Dole in the spring. We went over this legislation. The Administration said they were all for the legislation. It is passed. We got it through the House. I mean we have it through the Senate.

We have it through the Subcommittee, through the Full Committee in the House and all it needs is just to be put on the calendar and now all of a sudden, well there might be some opposition to it.

We have to move forward. If we do not pass it now we have to start all over again next session and if we are going to do it we have to do it now. This is the largest industry in America.

Mr. EIZENSTAT. I think our only major concern with the bill is the extent to which it establishes a special relationship with the TPCC for the tourist industry.

We think that if we start down that road that every industry is going to ask for their special relationship. Other than that provision, we are supportive and would like to see it pass.

So if something could be done on that provision, which I think is a very minor part of the bill, that we would be in a position to be supportive.

Mr. ROTH. It is very minor, but we just have hours and if we do not do it within the next 12 hours we are not going to do it. Give me some advice and I am being serious now. Give me some advice of what we are supposed to do. I want to pass this bill.

Mr. EIZENSTAT. I think that if they can strip that provision out, which can be done very easily, that everything else would fall into place. We will try to sit down with you in the next couple of hours and—

Mr. ROTH. I know you are very busy. Have someone on your staff that can come over and work with us.

Mr. EIZENSTAT. We will.

Mr. ROTH. So that we can get it to the floor.

Mr. EIZENSTAT. Thank you.

Mr. ROTH. Thank you. Mr. Secretary, you raised the problem of bribery and other corruption overseas that you and Mr. Bereuter and some others have mentioned.

Now, we are pursuing an agreement to ban bribery through the OECD; is that not right?

Mr. EIZENSTAT. Yes, sir.

Mr. ROTH. Now, what is the reason that it has proved so difficult? I have been following this and it seems like you are really pulling teeth. It is almost as hard as getting a travel and tourism bill passed in Congress.

Are the Europeans still using bribery to take business away from the United States? Is that really the bottom line?

Mr. EIZENSTAT. First of all, I think that as shown by the activity of the 1996 OECD ministerial and what happened at the OES, there is an increasing recognition by European and Latin exporting countries that whatever advantages they may have seen in the past pale in comparison to the costs and the distortion of the world trading system that this entails.

So while yes, there is still bribery going on and a great deal of it, there is an increasing recognition particularly as the United States and the Administration have brought it to the public light over the last 3 years, that this is not a tolerable situation.

At the same time in the developing world that same recognition does not exist. It simply does not. We would hope, for example, that in the WTO we could have gotten the developing world to sign on



to the government procurement agreement, which would do a lot to end bribery.

That will not happen because frankly too many officials and relatives, friends of officials in the developing world see this as profitable for them.

So the problem is we think more on their side than it is on the side of the exporters, although it obviously is still a two-way street.

So, we are making progress, but the practice continues and as I have indicated, we have documented 139 cases worth some \$64 billion in which since mid-1994 this practice continues and it does not show any great signs of abating.

Mr. ROTH. So where do we go from here?

Mr. EIZENSTAT. What we do is first we work in the OECD to actually implement the 1996 recommendations. If we can get countries to end tax deductibility and to criminalize it in their national statutes as is recommended by the OECD, this will make a huge difference.

Second, the OAS has this first anti-corruption treaty which was initialed in 1996, this year. If we can get countries to ratify it then that will, in effect, create the first anti-corruption treaty in the world and it will be an effective one for Latin American countries.

Third, we need to work more with international financial institutions. The World Bank made a huge breakthrough and Jim Wolfensdun is really deserving as is our Treasury Department, which pushed the World Bank, make a huge breakthrough on their multi-billion dollar procurement contracts—contracts that go to developing worlds. They are now going to put for the first time very stringent anti-bribery requirements on.

Fourth, we can work on this interim agreement for transparency and due process in government procurement through the WTO. That is what we can do multilaterally.

What we are going to do domestically is tighten OPIC and Eximbank guidelines for what they do on their programs on anti-bribery and our advocacy program for the first time is going to reach foreign parents and we are requiring that they have an effective policy and that they as well as their American subs who want our advocacy effort have to make a certification that they are not bribing on that particular transaction and that they have a policy in place.

So all of those working it will take time, but we really have made a huge step forward this year and we will continue to build on that in 1997.

Mr. ROTH. Well, that sounds encouraging. One of the basic purposes of the TPCC is to coordinate the export promotion programs across in our entire government and what progress are you making in extending this? Do TPCC's reach across these programs? Are there any export-related agencies, for example, that are not part of a TPCC program?

Mr. EIZENSTAT. We have really made a lot of progress. We have made a lot of progress in developing a unified budget, although we still have a little way to go in terms of getting an analysis of how to allocate that budget across agency lines.

The Department of Agriculture again indicated by Secretary Schroder's presence here has been a very active participant. All the



major financing agencies have been active participants. Treasury. State. Energy. Transportation.

It has been a very effective institution. The only one that is not a direct participant really is Defense and Defense really has its own national security implications and so it tends to be outside the system.

But other than that, we really feel like we have been very effective and we have made a lot of progress in developing a coordinated and unified system.

Mr. ROTH. Mr. Secretary, I do not think there are any other questions. I just have one short question. A parochial question.

We referred to this a bit ago. In our earlier exchange we discussed the institution at De Pere, Wisconsin, St. Norberts College as its export center and this is an excellent facility.

It is a beautiful facility. I have been there. It is the highest quality of instruction and are you doing some of the very innovative work for providing technical assistance to small- and medium-sized companies?

You know at these colleges, for example, they help our companies, particularly the legal hoops that you know companies and exporters have to go through, especially in overseas markets.

I am confident that this kind of expertise would be helpful to international trade association efforts; what is your thinking on that?

Mr. EIZENSTAT. We agree and we are providing that technical assistance on a day-to-day basis through our regional and our district offices.

We also have a special coordinator program which uses institutions like the one you referred to. There is one in San Diego, Institute of the Americas, which we use so that we engage the private sector and allow them on a ripple effect to reach out to their members.

We found this a very effective effort. There had been an initial effort to eliminate that in the House, but hopefully it will stay in the final program. It is a very, very effective program.

It makes small grants to non-profit and private institutions like the one you are suggesting, which in turn provide assistance to exporters directly.

Mr. ROTH. I wonder if you would be so kind as to allow me to call someone on your staff. I know you are busy.

Mr. EIZENSTAT. You can call me.

Mr. ROTH. And just go over in greater detail to them what institution can do and get their advice.

Mr. EIZENSTAT. I would be glad to take the call directly, Mr. Chairman.

Mr. ROTH. Thank you very much. Thank you for appearing here today. It is excellent testimony. Some of the best we have had and I want you to know I appreciate it very much.

Mr. EIZENSTAT. Thank you, Mr. Chairman.

[Whereupon, at 3:23 p.m., the Subcommittee was adjourned.]



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